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U.S.-Mexican Livestock
Trade Booms

World Cigarette Sales Up

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In this issue:

- 2 U.S.-Mexican Livestock Trade Hits Record High in 1973
By James K. Freckmann
- 4 Colombia Boosts Cotton Output But Expects Exports To Slump
By Horace G. Porter
- 6 U.K. Mixed Feed Industry Shifts Plant Sites and Sizes
By Roger F. Puterbaugh
- 8 World Cigarette Sales Outpace Rise in Tobacco Utilization
By Robert W. Johnson
- 10 Irrigation May Be an Answer to India's Urgent Food Needs
By Richard B. Reidinger and John B. Parker, Jr.
- 13 Crops and Markets

This week's cover:

Young cotton picker helps with the final picking of field near Buga in the Cauca Valley of Colombia. Cotton output in Colombia appears headed for a record level this season. Because much of the crop will be allocated to the domestic textile industry, raw cotton exports could drop. See article beginning on page 4.

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U.S.-Mexican Livestock Trade Hits Record High in 1973

By JAMES K. FRECKMANN
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MEXICO AND THE United States carry on a brisk two-way trade in livestock and livestock products which is expected to continue for at least another 5 years. But over the long term, the outlook is somewhat uncertain as Mexico's population increases and fewer live cattle are available for export.

Currently Mexico is the largest supplier of stocker and feeder cattle to the United States and a major supplier of boneless beef, while the United States is Mexico's primary source of breeding cattle, a variety of meats and offal, lard, tallow, hides, and skins.

In fiscal 1973, U.S.-Mexican trade in livestock and associated products was valued at a record \$225 million, compared with \$171 million for the preceding year and an average of \$167 million during the previous 5 years. This uptrend is expected to endure for at least the next 5 years.

Mexican exports of meat and livestock products in fiscal 1973 totaled \$160.9 million, ranking as the country's third largest agricultural export category after horticultural products and sugar and tropical products. The United States continues to take all of Mexico's stocker and feeder cattle exports and over 95 percent of its beef exports.

On the import side, Mexico is purchasing record numbers of breeding stock from the United States as part of that Government's livestock industry's program for expanded production. Currently, the main emphasis is being placed on imports of dairy cattle, although significant imports also are being made of beef and swine breeding stock.

For the past few years, Mexico has been experiencing a large and growing milk deficit, forcing the Government to use foreign exchange to import substantial quantities of powdered milk to meet domestic consumption requirements. Due to this shortfall, the Government is channeling large sums of money obtained through international bank loans and from the National Treasury to purchase dairy cattle and to boost milk production.

U.S. exports to Mexico of dairy breeding cattle in fiscal 1973 totaled over 14,000 head valued at \$7.6 million. This compares with just over 8,000 head valued at \$3.7 million exported a year earlier. For the first 4 months of fiscal 1974, over 8,000 head valued at \$4.5 million were exported by the United States to Mexico. The outlook over the next few years is for even greater U.S. exports to this market.

About half of Mexico's imports of dairy breeding cattle for fiscal 1973 and 1974 were financed under Government programs by quasi-Government banks. The importance of such financing over the next few years is expected to be much greater, as is the percentage of imported cattle going into these programs. Most of Mexico's dairy cattle imports from the United States are grade bred Holstein heifers.

Imports of beef breeding cattle into Mexico over the past few years have ranged from about 4,000 head valued at \$1.3 million in fiscal 1970, a year in which Mexico's northern cattlemen were recovering from a severe drought, to over 7,000 head valued at \$3.8 million in fiscal 1973. On the average, about three quarters of these imports were bulls, primarily Hereford, Brahman, Charolais, and Angus.

AS WITH BREEDING cattle, U.S. exports to Mexico of certain livestock products have been growing. Taking the lead have been hides and skins, variety meats and offal, and bull semen. Whole cattle hides account for over 90 percent of the annual average of \$20 million in U.S. exports of hides and skins to this market. They are used mainly by Mexico's booming shoe industry. In fiscal 1973, these exports reached \$29.6 million, of which whole cattle hides accounted for \$27.9 million.

Of the total U.S. exports to Mexico of variety meat and offal, pork offal generally have accounted for two-thirds of the value and beef offal for most of the balance. In fiscal 1973, U.S. exports of these items were valued at \$4.1 mil-

lion, of which pork and beef offal accounted for \$3.8 million. However, in some years, U.S. exports of fresh-frozen beef tongues and livers also are important, as in fiscal 1972 when Mexico took almost \$400,000 worth.

Of growing importance have been U.S. exports to Mexico of frozen bull semen. In fiscal 1972, these exports were valued at \$65,000, while last year they grew to \$270,000 and reached \$110,000 during the first 4 months of fiscal 1974. The major portion of the semen exported has been from Holstein bulls.

The outlook for future Mexican exports of beef and feeder cattle currently is somewhat clouded. Beginning in early 1973, retail prices of meat in domestic markets rose rapidly, compared with those for the previous year. Average retail prices for meat in Mexico City in 1972 were about \$1.03 per pound for beef, 85 cents per pound for pork, and 55 cents per pound for chicken. Comparable prices in 1973 were \$1.10 per pound for both beef and pork and 65 cents per pound for chicken. At the same time, average live prices paid to growers rose from 25-38 cents per pound for cattle, 21-40 cents for swine, and 18-24 cents for poultry.

Mexican swine and poultry industries were caught in 1972 between rising feed prices and overproduction. As a result, many producers began reducing their breeding herds of swine and flocks of chickens by midyear. By January 1, 1973, swine numbers were down over 5 percent from those of a year earlier.

For 1973, swine slaughter is estimated to be down somewhat and poultry slaughter down about 4 percent. This reduction in pork and poultry supplies put more pressure on beef supplies. Although beef supplies were greater in 1973 than during the previous year, the increase was not enough to offset the decline in pork which resulted in a drop in per capita consumption of red meat for the first time in at least 5 years.

In an effort to stabilize retail beef prices, the Mexican Government set monthly boneless-beef export quotas beginning in March 1973 at 50 percent of the 1972 level, and export permits were issued biweekly rather than for an entire year as had been the practice. On September 1, 1973, the boneless-beef export quota was further reduced, resulting in a decline of official exports to the United States from almost 93.5



Outstanding young Holstein-Friesian sire, above. This breed ranks highest among U.S. cattle exports to Mexico, which currently is placing emphasis on dairy cattle imports. Important hog breeds in Mexico, left, are Duroc-Jersey and Yorkshire, of which parent stock is imported from the United States.

million pounds in calendar 1972 to about 55 million for calendar 1973.

Partially offsetting this drop in exports to the United States have been sizable sales of beef to U.S. consumers at the border due to lower Mexican retail prices, compared with U.S. prices. Although no official figures are available, up to 30 million pounds of carcass beef are estimated to have been purchased in this manner during calendar 1973.

Mexican feeder-cattle exports to the United States have fluctuated during recent years. From 712,000 head in calendar 1968, these exports rose to 934,000 in 1970, when northern Mexico suffered a severe drought. In 1971 feeder-cattle exports to the United States dropped again to 757,000 head, but rebounded to 916,000 in 1972. For 1973, these exports are being held to

about 700,000 head due to the Mexican Government's policy of limiting live cattle and beef exports until the upward pressure on domestic retail meat prices is relieved somewhat.

Mexican Government policy is also favoring exports of heavier weight cattle and meat, rather than calves, which have accounted for the bulk of past shipments. This policy is based on two prime considerations. First, the total foreign exchange earned and employment created is greater for heavier animals and beef than for calves. Second, by slaughtering more cattle in Mexico, additional hides, skins, and offal will be available for domestic consumption, thus reducing import requirements.

As a first step in implementing this policy, the Mexican Government is providing credits and technical assistance for the establishment of winter pastures

Continued on page 16

Colombia Boosts Cotton Output But Expects Exports To Slump

By HORACE G. PORTER
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COTTON PRODUCTION in Colombia appears headed for a record 705,000 bales this season, although a sharply higher percentage of the crop will be allocated to the highly developed domestic textile industry. As a result, raw cotton exports, which compete with U.S. cotton in the West European market, are slated to dip to the lowest level since 1966-67.

Colombia, Latin America's third leading cotton producer, is following a trend evident in many other cotton-growing countries—moving from export of raw materials to greater dependence on cotton textile production and exports for supplying domestic needs and earning foreign exchange.

Consequently, consumption of cotton by domestic mills is expanding at a faster rate than production and largely absorbing the increased production. Mill consumption is expected to rise to 475,000 bales this season, up sharply from the 400,000 bales used last season and 345,000 the previous year.

By comparison, raw cotton production has risen more gradually. Crops totaled 587,000 bales in 1971-72 and 625,000 bales in 1972-73. A record output of 705,000 bales is expected in 1973-74.

Colombia's raw cotton exports are likely to fall to about 200,000 bales this season. Exports were about 240,000 bales in 1971-72 and 225,000 in 1972-73.

Colombia's most important markets for raw cotton are the United Kingdom, Spain, and West Germany. Over the 3-year-period, 1969-70 through 1971-72, exports to these three countries accounted for 58 percent of Colombia's total raw cotton exports.

Colombia's imports of cotton are relatively small, ranging from 4,100 to 6,500 bales in the past 5 years, and consisting almost solely of types not grown in Colombia in most recent years. Peru has been Colombia's sole supplier during this period. In the current season, however, allocations of locally grown

cotton to domestic mills were insufficient, and mills turned to imports to cover more of their needs. Although official trade statistics are not yet available, reports indicate that Colombia in 1973-74 imported a total of about 24,000 bales of cotton, of which 13,000 bales were from the United States and the remainder from Central America. In addition Colombia purchased the usual 4,000-5,000 bales from Peru.

Colombia's cotton-producing areas fall into two distinct zones, distinguished by their typical planting and harvesting periods. The Coastal-Meta zone usually plants in July and August and harvests in December and January, while the Interior zone plants in February and March and harvests in July and August.

In the past decade, cotton acreage has generally risen more rapidly in the Coastal area, reversing the situation of 1954-62, when the Interior led in cotton acreage. Coastal zone production is mostly in the hands of fairly large commercial farmers, who have few, if any, practical alternatives to cotton production. In the Interior zone, farms are smaller, and alternatives more plentiful.

This season, Interior zone production plummeted to only 135,000 bales, down 39 percent from last season's 238,000 bales. Reduced acreage—lowest since 1966—accounted for most of the shortfall, but yields were also depressed. Weather was largely unfavorable during the growing season, with too little rain early in the year and too much rain as the crop was opening and being picked. Insect control problems were numerous and expensive.

Cotton acreage in the Interior zone accounted for only 19 percent of the country's total last season, since farmers were discouraged from planting by the unusually dry weather. A delay in announcing prices to be paid to farmers by mills—and resulting dissatisfaction with price levels—also had a depressing effect on cotton acreage.

Although cotton producers in the Interior zone were not pleased with the

results of the crop, they are unlikely to stop producing cotton, as has been suggested. But high returns from other crops suggest they will not significantly expand cotton production without sizable incentives.

In contrast, production in the Coastal-Meta zone appears to have rocketed to a new high of 570,000 bales this season. Acreage expanded an estimated 11 percent above last season's to total 523,000 acres, with some of the acreage gained from land previously in pasture. The upsurge in production in this area will more than offset the decline in Interior output.

A number of factors account for the wide divergence in cotton acreage between Colombia's two production zones. These include weather, price prospects, and alternatives to cotton growing. Farmers in the Interior zone benefit from high soil fertility, causing yields to average higher. Thus, the Interior is well suited to growing a wide variety of crops, which either give cotton strong encouragement or keen competition, depending on price relationships in a given season.

Over the years, cotton yields in Colombia have trended upward, and on several occasions have changed substantially in a given year. Overall, however, average yields in the Interior zone have exceeded average yields in the Coastal-Meta zone.

Since virtually all Colombian cotton is grown without irrigation, weather conditions cause rather wide fluctuations in yields. Nevertheless, yields continue to benefit from improved farming practices already instituted.

THE MARKETING system for Colombian cotton also seems to play an important role in the relative strength of cotton in the Coastal-Meta zone. Compared with Interior zone producers, who supply a relatively large share of their crops to domestic mills, Coastal-Meta producers have been able to export a higher proportion to world markets. In periods of strong world demand and high world prices, the larger export share of the Coastal crop results in a price advantage for this cotton.

Colombia clearly has the overall capability to produce still larger crops of cotton. In view of price, marketing, and other considerations, however, the outlook for cotton continues relatively brighter in the Coastal-Meta zone than in most Interior areas.

Because of the two yearly harvests, Colombia sets prices to be paid by mills to producers during each 6-month period.

The textile industry purchases domestic cotton through a distributive agency called Distribuidors Nacional de Algodon (DIAGONAL). Typically, producer's organizations, DIAGONAL, and the Government agree on a schedule of prices that mills will pay for a specific amount of medium-staple cotton from the crop then being grown. Any cotton grown in excess of this amount, as well as long-staple Acala cotton, is available for sale on the export market at whatever price can be obtained.

The price and distribution agreement that was reached in June 1973 reflects some major policy changes. The agreement set prices for mill purchases of Interior zone cotton about 35 percent higher than previously, but the resulting price—about 33 cents per pound for strict low middling—still remained far below the world level in the 1973-74 season.

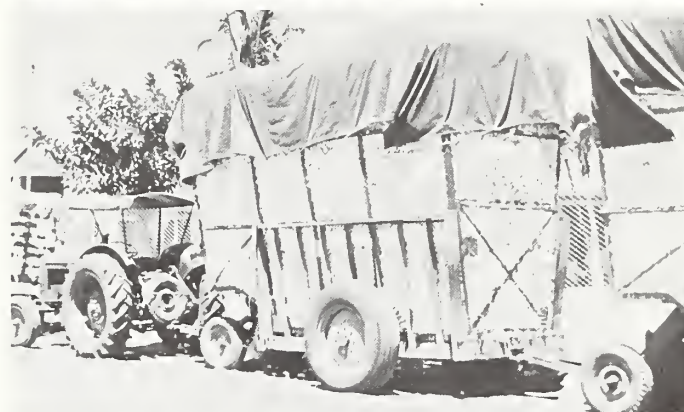
In addition, the agreement provided that 70 percent of the Interior crop would go to mills at those prices, while the remaining 30 percent would be sold at world prices, presumably mostly to export markets. However, mills that needed more than their share of 70 percent of the crop would pay world prices.

For Coastal-Meta cotton, the June agreement stipulated that prices to be paid by domestic mills for their 52,000-ton allocation of the 1973-74 crop will be 121 percent of the level applied to the Interior zone crop.

According to the agreement, prices for the forthcoming Interior crop of medium-staple cotton—to be harvested in August 1974—will be based on the average of the world market price at that time and the level at which exporters sold cotton in the world market in March 1974. It also stipulated that by March 1975, the domestic price of cotton in Colombia will be equal to world price levels.

The Colombian Government continues to encourage expansion of raw cotton production and exports, as well as cotton textile production and exports. The Government and the Cotton Producers Federation both conduct research to improve cotton production.

Government credits are also available to cotton producers. At present, bank financing is provided up to about \$51



Top, Uldarico A. Diez (left rear), Office of the U.S. Agricultural Attaché, Bogota, talks with cotton pickers engaged in final picking. Cotton arrives at gin in Buga, Cauca Valley, center. Gin workers cut samples from bales, below.



per acre of cotton. In addition, about \$42 of additional credit per acre can be obtained by growers. This \$93 compares with a total estimated production cost of some \$170 per acre.

To stimulate exports, the Colombian Government provides an export subsidy for cotton and cotton textiles. This subsidy has been the cause of some domestic controversy over cotton prices.

Producer groups maintain that mills

buying more cotton than their allocation should pay more than the world price, since producers in mid-1973 received the world price plus the subsidy on exported cotton. They further argue that mills could afford to offset the subsidy, since mills were collecting a subsidy on textile exports. Others in the industry, however, believe that the formula developed in June 1973 balanced benefits and obligations.

U.K. Mixed Feed Industry Shifts Plant Sites and Sizes

By ROGER F. PUTERBAUGH
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THE COMPOUND FEED industry in the United Kingdom is big business and changes taking place within this industry are of major importance.

In fiscal 1974, U.K. production of mixed feeds¹ is estimated at around 11 million long tons, valued at nearly \$2 billion. This is about one-fifth of total mixed feed production in the enlarged European Community (EC-9) with German and French feed manufacturing output at nearly the same level.

Within this vast industry, efforts are being made to reduce distribution costs by reducing the number of large plants located in major port areas and increasing the number of smaller plants situated near cereal and livestock producing regions.

Evidence of a shift in plant location and capacity is already apparent. In fiscal 1974, six large firms produced over half (55-60 percent) of the total U.K. mixed feed output. In 1972 only five mills were producing over 200,000 tons annually, compared with nine mills operating at this rate of output in 1969. During this same period, the number of smaller mills each producing from 20,000-200,000 tons per year increased from 105 to 117 mills.

¹ Excluding production by integrated producers who do not sell any part of their production.



Complex of three feed mills on 25-acre site, top, Avonmouth Docks, Bristol, use common raw material and finished product facilities, with annual capacity of 1 million tons. Smaller mill, above, Winsford, Cheshire, opened in 1967. Right, pneumatic intake for mill on Thames River.



A significant change also has occurred in the type of feed produced. Cattle and calf feed replaced poultry feed in 1972 as the largest item.

Most of the United Kingdom's largest feed mills (over 200,000 tons annually) are concentrated in and around the deep water ports of Avonmouth, Hull, Liverpool, London, Glasgow, and Belfast. The remainder are located at the smaller ports or in the inland agricultural areas. Within the last few years, one large mill manufacturing a full range of feeds and distributing regionally is being replaced by a series of smaller mills each producing only 20,000-150,000 tons annually.

THE SMALLER MILLS, serving an area of only 30-50 mile radius, are being located near livestock and grain producing areas and small ports, and often produce only a limited range of types of mixed feeds. Recent estimates indicate savings of about \$3.50 per ton when feed is distributed locally, compared with regional distribution. Also production in these smaller mills can be more easily geared to local conditions.

The main association representing the industry at the national level is the Compound Animal Feeding Stuffs Manufacturers National Association (CAFMNA).

Organized "in 1941 to act as a link between the Government and the feeding stuffs industry during World War II, CAFMNA is the national representative body of firms—large, medium, and small; private enterprise and co-operative—manufacturing compound animal feeds in the United Kingdom."

Its membership is composed of four categories: Company members (eight larger feed manufacturers); association members (mainly regional feed manufacturing groups); nonassociation members (mainly integrated livestock producers who produce their own mixed feeds); and ancillary members (companies or persons associated with the industry, but not manufacturers).

Poultry feed's decline as the No. 1 production item in the U.K. feed industry before 1972 came about with the reduced profitability of egg production. Increased demand for broiler and turkey feed was not enough to offset the decline in layer feeds.

In 1972, cattle and calf feed accounted for 40 percent of total production; poultry feed 36 percent; and pig rations approximately 23 percent. All

other types of feed (sheep, lamb, horse, and other) accounted for less than 2 percent.

In fiscal 1971-72 (the latest year for which a detailed breakdown is available), U.K. farmers spent about \$1,150 million on mixed feed—more than the combined total expenditure on machinery, fertilizers, and seeds. By quantity and cost in millions of dollars and millions of long tons, farmers purchased the following mixed feeds: Cattle and calf, \$300 for 4.1 tons; poultry \$500 for 3.6 tons; and pig rations, \$350 for 2.3 tons.

Most of the raw materials used in the compound feed industry are British. U.K. barley, wheat, and oats make up nearly 44 percent of these raw materials; byproducts of U.K. industries—such as oilseed meals, meatpacking industry offal, sugarbeet pulp, fishmeal, wheat offal, and other—about 18 percent; and the 38 percent balance is imported: Corn, sorghum, barley, cereal byproducts, and animal and vegetable proteins.

Historically, major suppliers of imported raw materials for the U.K. mixed feed industry have been: Corn, the United States and South Africa; feed wheat, France; barley, France and Canada; soybeans and soybean meal, the United States; peanut meal, India and Nigeria; fishmeal, Peru, Norway, and South Africa; and cottonseed meal, East Africa.

The origin of these commodities, however, may soon be altered.

The impact on the mixed feed industry of U.K. membership in the EC, which took place on January 1, 1973, has been of major concern. Although this question is still unresolved, the following trends are probable.

- Utilization of more domestically produced grains as high Common Agricultural Policy (CAP) prices stimulate a limited rise in U.K. production of wheat and barley.

- Additional grain imports will be made from the EC and less imports from third countries due to EC preference.

- Imported grain prices will be higher as a result of the CAP.

- Because of higher grain prices, greater use will be made of non-CAP grain substitutes.

- Production of beef rations will increase due to EC beef production incentives.

EC Sets Preferential Quota for Tobacco

The European Community (EC) recently adopted a regulation establishing a tariff quota for unmanufactured tobacco.

The tariff quota is the first EC concession under its Generalized Scheme of Preferences (GSP) on an agricultural commodity for which the EC administers a Common Agricultural Policy (CAP) program. As such, it may signal further departures from preenlargement policy.

The regulation provides that during 1974, up to 30 million units of account (u.a.) of flue-cured tobacco may be imported at reduced rates of duty from countries eligible to receive generalized tariff preferences from the EC. (1 u.a.=US\$1.20.)

The quota will be applied without limiting the amount that can originate in any one country benefiting from the GSP. Imports under the quota, however, will be allocated among EC members with the United Kingdom receiving 80 percent and the remaining 20 percent being allocated in percentages, as follows: West Germany, 7; Benelux, 5.6; France, 2.8; Denmark, 2.6; Ireland, 1.8; and Italy, 0.2.

A duty equal to one-half of the full Common External Tariff (CXT) rate will apply to that part of the quota imported by the six original members of the European Community.

The United Kingdom, Denmark, and Ireland will apply duties equal to one-half the rates they would have applied during the 1974 stage of tariff alignment in the absence of the quota concession. Danish and Irish quota imports thus will be subject to duties equal to about one-fifth of the full CXT. The United Kingdom, however, will apply two preferential rates. For tobacco imported from eligible Asian Commonwealth countries, the rate will be about one-fourth of the full CXT. Any U.K. imports from other GSP beneficiaries will be subject to the same rate as that applied by the Six.

In addition to its value limitations, the quota has a quantitative restriction. If, during the first 10 months of 1974, quota imports exceed 22,000 metric tons, the EC will suspend its duty reductions.

The tariff quota is an outgrowth of

Continued on page 16

World Cigarette Sales Outpace Rise in Tobacco Utilization

By ROBERT W. JOHNSON
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WORLD CIGARETTE production is marked by two related trends: Output is increasing at a declining rate. And the share of leaf tobacco utilized in cigarettes is shrinking, as the industry turns increasingly to materials other than tobacco in the production of cigarettes.

Although world production of cigarettes has been increasing at the compound average annual rate of about 3.5 percent during the past 20 years, utilization of tobacco has been increasing by less than 2 percent a year.

Thus while world cigarette production is increasing much faster than world population, tobacco utilization is failing to keep up with the world's annual growth rate.

If the present trend continues, future demand for U.S. tobacco leaf exports could be adversely affected by the gradual global shift to either stable or declining leaf utilization.

During the past 20 years, U.S. tobacco exports have trended slightly up, but exports of other countries have increased more. With world demand rising at a slower rate and with greater emphasis being placed on quality and price, there is likely to be a further shifting in sources of supply and in demand.

U.S. tobacco leaf of higher cost and quality than foreign tobaccos may find some increased demand relative to the available supplies of less-desirable leaf. However, with rising prices of U.S. leaf becoming a more dominant factor in supply-demand relationships, it may become increasingly difficult for U.S. tobacco to maintain its relative share of world trade.

Among the major U.S. tobacco export markets, Western Europe historically has been the most important. Cigarette production there has been increasing at the compound average annual rate of about 3.8 percent, while tobacco leaf utilization has been rising by only 1.7 percent.

The same trend is under way in Japan, which is the third largest market for U.S. tobacco. Cigarette output there apparently is increasing by 4.5 percent annually, while leaf utilization is rising by the lesser figure of 3.7 percent.

Why the spreading gulf between world cigarette output and world tobacco utilization? There are several reasons. Through improved research and production technology, manufacturers

have discovered a number of ways to obtain more cigarettes from given quantities of tobacco. Filters, for one thing. Greater use of tobacco stems and other materials once considered waste, for another. Increasing use of nontobacco materials. Thinner cigarettes. In some countries, shorter cigarettes. A looser packing of the tobacco column.

The sum of all these factors in the production process accounts for the considerable slippage that is taking place in tobacco utilization in relation to cigarette production.

The one change that has had the greatest impact on tobacco utilization in cigarettes is the use of filters. The filter-tip concept evolved from the mouthpiece cigarettes of the 19th century. Early filter mouthpieces consisted of paper tubes stuffed with cotton or similar material. Filter tips accounted for less than 1 percent of the U.S. market in 1950, but the trend toward milder cigarettes plus concern over smoking and health had, by 1960, resulted in a 50-percent hold on the total market by filter-tip cigarettes.

A similar trend also occurred in other major cigarette markets. Filter tips accounted for half of the sales in West Germany by 1959, and half of the sales in Japan and in the United Kingdom by 1965. By 1973, the filter share had 80 percent of the markets in each of these countries as well as in a number of other major cigarette-consuming countries.

ANOTHER IMPORTANT technological development that has brought about a reduction in the amount of tobacco used per cigarette is the more efficient utilization of raw tobacco. The blending of stems—formerly considered a byproduct—with processed tobacco is now an almost-universal practice.

Manufacturers have discovered during the past 20 years that stems and other materials could be processed and blended with leaf (lamina) tobacco so as to reduce production costs.

Other materials that also were once classed as byproducts—such as finely-powered tobacco—are now blended with liquids and dried so as to yield reconstituted sheet tobacco. This homogenized product can be used to help control certain characteristics—such as nicotine content—of the processed tobacco blend.

Short cigarettes are still popular in



Young Kentucky burley tobacco plants. About one-third of U.S. cigarette blend is burley.

the United Kingdom, for the excise tax on tobacco there is based on the volume of tobacco used in cigarette production rather than on the number of cigarettes sold. The tax is relatively high, and manufacturers therefore have an incentive to make maximum use of their leaf stocks.

The trends toward thinner cigarettes and to looser packing of cigarettes are relatively new developments that have had their negative effects upon leaf utilization in recent years.

But the one new development that may have the greatest impact on cigarette production trends in the future is the growing utilization of synthetic tobacco, sometimes referred to as "new smoking material" (NSM).

This substance is a tobacco substitute made of cellulose, which is derived from woodpulp. It is virtually tasteless. But it is lacking in nicotine and most of the other components of leaf tobacco, so that it cannot be used as a complete substitute for tobacco.

Research and testing are now under way in a quest for ways to blend it satisfactorily with tobacco and thus reduce the total nicotine content of the cigarette. A factory designed for mass production of NSM is now being built in Scotland, and plans are being made to test-market in the United Kingdom cigarettes containing the new mixture.

If the smoking public accepts without protest the inclusion of these various new smoking materials in its cigarettes, the chances are that the existing gap between the increasing cigarette output and the rate of tobacco utilization will widen still further.

Certainly the existing disparity between total world cigarette output and total world tobacco utilization indicates that manufacturers are being successful in their efforts to use less tobacco per cigarette.

In some countries, only a gross measure of the difference is available, as local production situations sometimes are clouded by additional factors such as shifts from consumption of other tobacco products to readymade cigarettes.

However, in the United States and in the United Kingdom, available statistical data clearly illustrate the trend. U.S. manufacturers were using 2.72 pounds of leaf tobacco (redried weight basis) to produce 1,000 cigarettes in 1949-53. But by 1970-72, they were

using only 1.92 pounds. And U.K. manufacturers were using 1.86 pounds per leaf per 1,000 filter tips and 2.21 pounds for plain in 1961. By 1972, these figures had declined to 1.58 pounds for filters and 2.01 for plain.

The second factor with an impact on future raw leaf requirements is that the rate of growth in cigarette output is tending to slow down in some countries.

WORLDWIDE, the rate increase was about 5 percent per year during the 1950's, but it slowed to about 3.5 percent during the 1960's.

In Western Europe, the rate was about 4 percent annually during the 1950's, and about 3.7 percent during the 1960's.

The U.S. rate followed a similar pattern, slowing from 2.5 percent during the 1950's to 1 percent during the following decade.

There has been, however, some recovery in recent years—both as to U.S. production growth as well as world growth. U.S. output jumped 39 percent in 1972 and made an even stronger gain of 5.2 percent in 1973. Some of these gains are the result of recovery from the drop in output in 1971, but

another factor is the apparent higher level of per capita consumption.

World output climbed 4.2 percent in 1972—the largest increase in recent years.

The gains in the world consumption rate as well as in the U.S. rate are reflections of the larger numbers of young people entering the smoking years age bracket.

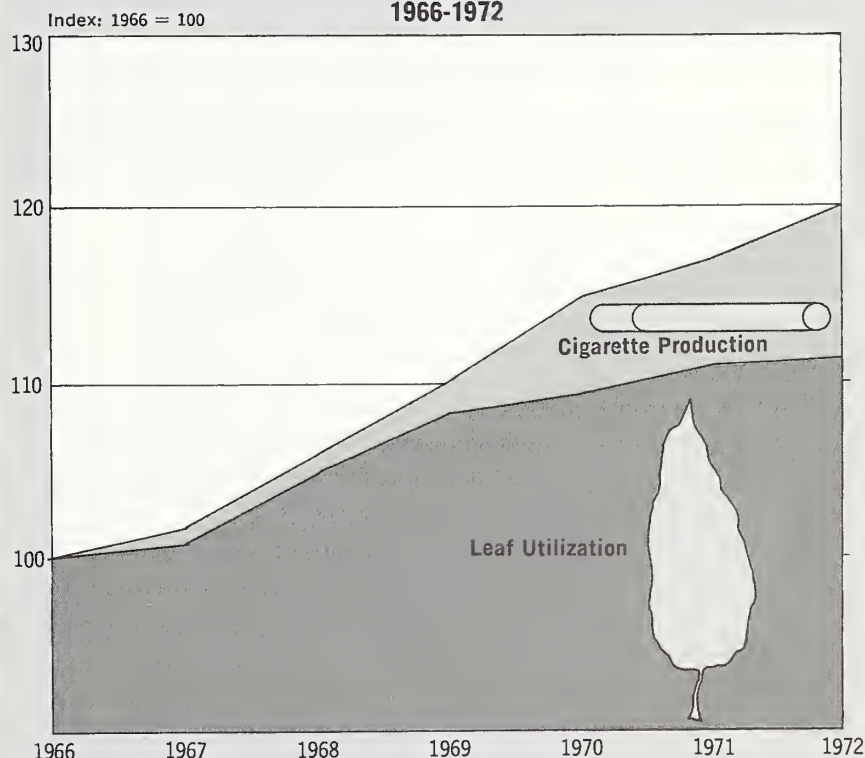
Are these upturns in the consumption rate permanent?

Do they indeed reflect the start of an accelerated trend in cigarette consumption?

Only time will tell. At this point, there are insufficient data on hand to warrant a conclusion.

The issue of smoking and personal health clearly is an important factor that bears upon recent trends in cigarette production. Another factor of significance is that women were taking up the smoking habit at a faster rate in the 1950's than they did during the 1960's. In the United States, the proportion of women who smoke reached 32 percent in 1964, and it has remained fairly stable since. There are no figures available on the gender of smokers worldwide.

EUROPEAN COMMUNITY: Cigarette Production and Leaf Tobacco Utilization 1966-1972



Irrigation May Be an Answer To India's Urgent Food Needs

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SECOND ONLY TO CHINA in farmland under irrigation, India is still using only half its irrigation potential, leaving the country vulnerable to drought and handicapped by low crop yields. Tapping this potential is one of the nation's biggest opportunities to meet massive and growing food needs.

In the worst setback since 1965-67, drought claimed 9 percent, or 10 million metric tons, of India's foodgrain production in 1972. Bumper crops harvested in heavily irrigated areas partially offset crop losses, but the drought's crippling force once again pointed up India's critical need for more and better planned irrigation.

India's huge land mass and the problems of its monsoon climate have led to the development of what is today the world's second most extensive irrigation system. With over twice the irrigated area of the United States, India's nearly 100 million acres of irrigated cropped area represent about 22 percent of its cultivated land. In comparison, only about 8 percent of cultivated area in the United States is irrigated.

Foodgrains take up 79 percent of India's total irrigated area, followed by sugarcane, 5 percent, and cotton, 4 percent. The most intensively irrigated crops are sugarcane, 74 percent irrigated; wheat, 43 percent; rice, 38 percent; and cotton, 17 percent.

Irrigated area is now expanding by about 2.5 million acres annually. According to Dr. K. L. Rao, former Minister of Irrigation and Power, the future rate of expansion must reach 3 million acres annually to insure adequate food supplies.

India has the potential to achieve this rate. Estimates show water resources are sufficient to eventually irrigate over 50 percent of the cropped area, using existing technologies and efficiencies. The Fourth Five Year Plan, which will end in 1974, called for the addition of 26 million acres to India's irrigated area. Actual achievement, however, may be

only half the targeted level.

More irrigation may be the answer to a recovery in India's foodgrain production. As shown in the accompanying table, foodgrain yields generally are lower where percentage of irrigated crop land is lower.

The less-irrigated States of Mysore, Gujarat, Madhya Pradesh, and Maharashtra were hard hit by drought in 1972. In contrast, Punjab, with the greatest percentage of irrigated land, recorded bumper crops and is well-known as a leader in the Green Revolution in wheat. Tamil Nadu, with its heavily irrigated Cauvery Delta, is a top producer of rice.

ALTHOUGH A CENTURIES-OLD practice in India, irrigation in its modern form began under the British, particularly in the late 1800's after a series of disastrous famines. Many of the British-built canal projects represented engineering breakthroughs. With the 1947 partition, however, 31 percent of the irrigated area and nearly half the water carried by the canals of British India were allocated to Pakistan, leaving India with only about 48 million irrigated acres—a portion covering less than 20 percent of its cultivated area.

India's \$4 billion investment in irrigation since independence has increased its irrigated area by about 75 percent, and reflects the shift to bigger-scale canal projects in Indian irrigation development. Many of these newer projects incorporate costly storage reservoirs to stabilize water supplies during the crop season, contrasted with earlier systems that depend on highly variable water flows.

These large projects mainly benefit India's northern areas, while regions having the most critical need for water go without it. In response to water scarcity in the Deccan, India's expansive southern peninsular area, the Government of India has proposed the mammoth Ganges-Cauvery Link Canal.

The canal would run 1,800 miles from the Ganges River in the northern plains to the Cauvery River, the southern-most major river of India. Inland transportation would profit from the project, but agriculture, through over a 27-million-acre increase in irrigated area, would be main beneficiary of the expanded canal system.

As the world's biggest, the water project would take 25 years to complete and cost at least \$4 billion. Added to construction costs, the project will require substantial expenditures and vast energy resources for pumping, since water would be lifted from the plains to reservoirs on the plateau dividing the Ganges and Cauvery watersheds.

Although a partial solution to water scarcity, the Link Canal may be an expensive means of protection from drought which occurs every 4 or 5 years. A program providing for crop insurance, fertilizer credit, and national food stocks might produce similar results at lower cost.

Currently, Government canals, serving 41 percent of the irrigated area, are India's major irrigation source. Next in importance are wells, which supply 34 percent of the area, and tanks (ponds), 17 percent. Large-scale canals prevail in the northern Indo-Gangetic Plains, tapping major perennial rivers having headwaters in the Himalayan Mountains. Tanks and dugwells predominate in southern India.

Despite the heavy government investment in some of the world's largest irrigation projects, problems remain which may restrict irrigation's contribution to Indian agriculture. Groundwater development—a proven force behind the Green Revolution—is a vital key in India's agricultural future.

Groundwater resources. Much of the growth in tubewell irrigation—valued highly as a source of both more and better water control—is due primarily to the initiative of private farmers who recognized the importance of tubewells to the Green Revolution, especially electric or diesel tubewells on the vast northern plains and southern river deltas. Unlike traditional varieties, Green Revolution rice and wheat respond favorably to higher inputs and the more precise water and crop management made possible by the private tubewell.

Between the time high-yielding rice and wheat varieties were released in 1965 and 1969, the number of small, private tubewells grew by 140 percent,

representing a shift in the late 1960's toward minor irrigation in India. Much of this growth occurred in areas already irrigated by large-scale canals, as farmers sought more dependable water supplies and better water control. These are not generally provided by canal systems, but are needed to tap the potential of the new wheat and rice varieties of India's Green Revolution.

WITH EXPANDED USE of tubewells, the Government sponsored credit programs to assist farmers investing in wells and tubewells. Since 1970, World Bank loans of over \$200 million have further expanded agricultural credit. Consequently, 54 percent of the anticipated increase in irrigated area under the Fourth Plan is to come from minor irrigation projects. Now, about two-thirds of the available groundwater resources is utilized, and that may rise to 90 percent by the end of the Fourth Plan.

However, groundwater in some regions is not easily accessible, and, in many areas, where water is saline or too deep, tubewells are not feasible. The problem now is to extend irrigation to areas that face severe technical and economic problems, such as the rocky subsoils of central India, and to devise more efficient ways to use available water. How these problems are approached could mean the difference between simply a more dependable agriculture and one in which dramatic gains in yields are achieved.

In much of the Deccan Plateau areas of Maharashtra, Madhya Pradesh, and Mysore, and in large parts of Tamil Nadu, Andhra Pradesh, and Gujarat, a few meters of soil rest on hard, crystalline rock. Successfully building a well under these conditions usually requires intersecting water-bearing fissures and embedded rock strata.

Not only is well construction both expensive and risky, the chance of striking water may be as low as 30 percent. Moreover, well yields are often uneconomically low, making it difficult for farmers to repay the large loans necessary to build the wells.

However, wells provide much of the Deccan area's sparse irrigation—about 56 percent in Maharashtra, for example. As groundwater development problems emerge, reliance on canal irrigation may increase.

Surface water resources. The largest



Well is deepened, top, in Maharashtra, a less-irrigated State that was hard hit by drought in 1972. Verdant areas, center, indicate success of Government canals, currently India's major irrigation source, serving 41 percent of its irrigated area. An earlier canal system, bottom, depends on highly variable water flows. Even with its \$4-billion investment in irrigation since 1947, much of India's irrigated area is still served by older canal systems.



Laborers clear aquatic weed from a canal. Heavy weed growth, common in India's unlined canals, impedes efficient use of irrigation.

area currently covered by canal irrigation is the Bhakra-Nangal complex, encompassing 3.7 million acres and serving the States of Punjab, Haryana, and Rajasthan. Fed by one of the world's tallest dams, the Bhakra canal system is one of the most successful in India.

In its design and operation, the Bhakra system closely resembles the nearby Western Jumna canal system, built by the British in the last century. For the farmer, the results are largely the same—a water supply he can neither control nor predict.

The new wheat varieties reinforce the need for water control as their high genetic potential cannot be realized without it.

The fact that farmers generally cannot control, or in some cases, predict, the time-quantity distribution of canal water supplies during the season often limits the value of canal irrigation. A recent case study comparing tubewell irrigated farms and farms irrigated from Bhakra canals indicates the high value

of water control on a per acre basis.

In general, tubewell irrigated farms produced substantially higher yields and profits per acre than canal farms. Even with about equal use of fertilizer, quantities of high-yielding wheat varieties were 50 percent above those of canal farms; corresponding profits per acre were nearly 200 percent higher.

Because farmers will invest in more inputs if they have a dependable water supply, tubewell farms generally used more of the new varieties and inputs, like fertilizer, and included more high profit crops, the study reported, while canal farms used more drought-resistant, low-profit crops. Also, maximum yields for high-yielding varieties approached experimental yield levels more often, in contrast to maximum yields of new varieties under canal irrigation, which were only slightly above maximum yields reported for traditional varieties. Yields and profits seemed unrelated to farm size within the canal and tubewell groups.

Sudan's Rice Exports Could Pay for Wheat Imports

The Sudan is trying to boost its rice production and success in doing so may benefit American wheat farmers in the future.

Rice earns three times as much as wheat on the world market. Given the country's growing demand for wheat, the Sudan is expected to try to boost its rice crop sufficiently to fill domestic needs and provide a surplus for overseas sale. This would provide foreign exchange that could be used to buy wheat.

Although the Government's official agricultural policy is for the Sudan to become self-sufficient in wheat, the country's climate and production methods are not well suited to its large-scale production. Because conditions are more appropriate for rice growing, the Government has opened irrigated experimental farms in the Gezira region. Under guidance of advisors from the People's Republic of China, yields on these farms have commonly been 1½-2 tons per acre. Buoyed by the success of these experiments, the Sudanese reportedly now plan to boost rice area to about 10,000 acres in the Gezira region in 1974-75.

Currently the Sudanese import most of their rice—about 9,000 tons in 1972 at a cost of US\$1.5 million. At the same time, they harvested 165,000 tons of wheat, while importing—mostly from the United States—over 210,000 tons, worth almost US\$15 million. In 1973, wheat imports from the United States rose to 220,000 tons.

The Sudanese people, especially the burgeoning urban class, have traditionally eaten large quantities of wheat, and demand will soar if the rural population increases its wheat intake. Even now, with a slower rate of growth, consumption demands continue to outstrip wheat production. As a result, by 1974-75, wheat imports are expected to climb above 250,000 tons, while production could stabilize at about the level of 175,000 tons.

The expected harvest from the planned 10,000 acres of riceland should meet domestic needs. Output from additional acreage could easily be exported and the profits used to buy more wheat.

—By BRIAN J. PRITCHARD, ERS

COMPARISON OF PERCENT OF SOWN AREA IRRIGATED AND FOODGRAIN YIELDS

State	Area irrigated Percent	Foodgrain yields Kg./ha. ¹
Punjab	70.0	1,831
Jammu and Kashmir	41.8	1,336
Tamil Nadu	41.0	1,340
Haryana	40.1	1,234
Uttar Pradesh	32.4	991
Assam	30.1	979
Kerala	29.5	1,397
West Bengal	26.5	1,207
Bihar	26.1	833
Andhra Pradesh	24.9	750
Himachal Pradesh	16.5	1,212
Rajasthan	15.9	687
Orissa	13.7	870
Mysore	12.3	830
Gujarat	11.3	864
Madhya Pradesh	7.8	646
Maharashtra	7.5	433
All India	21.9	870

¹ One hectare equals 2.471 acres.

CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

Pakistan's Rice Outturn Rises Despite Flood

Pakistan's rice acreage for 1973-74, previously estimated downward because of recent floods, has been revised. According to latest reports, acreage may be slightly below or about the same as the year before. Production, however, is expected to be higher than in the previous year, owing to wide-spread rainfall at the right time during the rice-growing season. A large-scale insecticide spray program in September reduced normal pest losses, compensating for some of the rice losses resulting from the flood.

Pakistan is expecting rice production for 1973-74 at some 2.4-2.5 million tons, about 8 percent higher than a year ago.

Rice is one of Pakistan's major foreign exchange-earning commodities. It is a general policy of the Government to encourage farmers to plant more land for rice production by subsidizing fertilizer prices and increasing rice procurement prices. Basmati rice procurement prices increased from US\$4.64 in 1971-72 to US\$6.26 in the following year. (PRs9.90 = US\$1.)

Pakistani exports of rice during 1972-73 were about 789,000 tons, the highest on record. Pakistan is expected to export 400,000-500,000 tons in 1973-74.

Japan Issues 1973-74

Pulse Import Quota

On February 22, 1974, the Japanese Government announced a pulse import quota totaling \$16.7 million for first half of Japan's 1974 pulse marketing year (October 1973-March 1974). This quota included allocations of \$9.9 million for kidney beans, \$3.7 million for dried peas, and \$3.1 million for broad beans.

An import quota for azuki beans was not allocated at this time as the Government considers the current domestic supply adequate to meet demand.

Japan Boosts Wheat Support, Studies Higher Rice Outturn

Because of the tight world supply situation and extremely high prices, the Japanese Government has increased its wheat support price to about \$10.50 per bushel. This compares with the former payment of about \$6 per bushel. The higher payment is not expected to result in increased wheat production, but the Government hopes it will keep outturn from falling below the present level of about 200,000 metric tons annually. The increase only applies to the islands of Hokkaido and Kyushu, however, which are the two main wheat producing areas in Japan.

The Government is also giving serious consideration to providing incentives necessary for a return to so-called full rice production, which would mean an increase of about 2 million

metric tons annually. There is some question as to whether Japanese consumers are willing to support this level of rice production; flour millers feel it would exert at least some downward pressure on wheat flour consumption. The consumer rice price increase of 9.8 percent, scheduled to go into effect April 1, has now been postponed until October 1.

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Mar. 19	Change from previous week	A year ago
	Dol. per bu.	Cents per bu.	Dol. per bu.
Wheat:			
Canadian No. 1 CWRS-13.5.	6.79	+11	3.12
USSR SKS-14	(¹)	(¹)	(¹)
Australian FAQ ²	(¹)	(¹)	(¹)
U.S. No. 2 Dark Northern Spring:			
14 percent	5.81	-29	2.75
15 percent	(¹)	(¹)	2.77
U.S. No. 2 Hard Winter:			
12 percent	5.92	-16	2.71
No. 3 Hard Amber Durum..	8.17	-13	2.94
Argentine	(¹)	(¹)	(¹)
U.S. No. 2 Soft Red Winter.	(¹)	(¹)	(¹)
Feedgrains:			
U.S. No. 3 Yellow corn ...	3.69	- 2	1.98
Argentine Plate corn	4.01	- 2	2.20
U.S. No. 2 sorghum	3.53	- 1	2.11
Argentine-Granifero sorghum	3.48	- 1	2.07
U.S. No. 3 Feed barley ...	3.17	+ 2	1.70
Soybeans: ³			
U.S. No. 2 Yellow	7.21	-14	6.89
EC import levies:			
Wheat ⁴	⁵ 0	0	1.66
Corn ⁶	⁵ 0	0	1.26
Sorghum ⁶	⁵ 0	0	1.15

¹ Not quoted. ² Basis c.i.f. Tilbury, England. ³ New crop. ⁴ Durum has a separate levy. ⁵ Levies applying in original six EC member countries. Levies in U.K., Denmark, and Ireland are adjusted according to transitional arrangements. ⁶ Italian levies are 18 cents a bu. lower than those of other EC countries.

Note: Price basis 30- to 60-day delivery.

New Peruvian Group Seeks To Cut Wheat Imports

Peru's Agrarian University has established an organization called Nutro-Peru to improve nutrition levels through use of products grown there. Complying with Government policy of reducing wheat imports by using substitutes, Nutro-Peru believes it can cut wheat imports by 200,000 metric tons by 1978 by encouraging use of potato flour. It also plans to boost consumption of sweet potato, quinoa, and barley flours.

However, for such a program to be successful, supplies of these substitutes must be adequate, they must be accepted by the consuming public, and prices must be lower than those of wheat flour.

LIVESTOCK AND MEAT PRODUCTS

OECD Circulates Shoe Questionnaire

Member countries of the Organization for Economic Co-operation and Development (OECD) have received that body's questionnaire for collecting necessary data for the proposed *World Study on Footwear and Leather-Related Industries*, with replies due within 6 weeks.

The questionnaire is a seven-part outline covering data on production, trade, consumption, and price on hides and skins, leather and footwear. It also covers information related to structure of the footwear producing industry, consumer attitudes, industry and governmental policies covering environmental aspects, trade, and other measures having an impact on the industry. The questionnaire also requests individual country responses which justify government policies related to export of raw hides and skins and semifinished products.

Peru Imports Australian And New Zealand Sheep

Some 3,320 sheep will be imported in April from New Zealand and Australia to be distributed among 16 cooperatives in the Department of Pasco, according to the Peruvian Ministry of Agriculture.

In January, 7,520 Australian and New Zealand sheep were imported for the Department of Puno. Peru's import plans still call for the purchase of 17,000 sheep for Ancash Department.

TOBACCO

U.K. Tobacco Use Rises in 1973

Figures recently released by the U.K. Tobacco Advisory Committee reveal that in 1973 tobacco consumption in the United Kingdom increased in terms of both weight and number of cigarettes and cigars smoked.

Total cigarette consumption in 1973 totaled 137.4 billion pieces, up 5 percent or 6.9 billion pieces over 1972. The weight of the manufactured tobacco used increased 6 percent to 228.9 million pounds. Consumption of filter-tipped cigarettes increased 7 percent by numbers and 8.5 percent by manufactured tobacco weight. Filters account for 83 percent of total consumption, up from 81.5 percent in 1972.

The fact that the manufactured tobacco weight rose more than consumption in terms of numbers reflects the Government's initial release of the tar and nicotine "league table" listing all brands on sale in the United Kingdom. The table revealed that many of the leading lower priced brands were also leaders in tar and nicotine content. Several of the new brands introduced to appeal to tar- and nicotine-conscious smokers are king-sized and thus account for at least part of the disproportionate increase in manufactured tobacco weight.

Cigar consumption in 1973 increased 9.5 percent to 1,545 million pieces. In terms of weight the increase was 13 percent to 6.9 million pounds.

The United Kingdom is the leading export market for U.S. leaf tobacco. U.S. exports to the United Kingdom were 119.7 million pounds in 1973, up 4 percent from the 115.1 million pounds shipped in 1972.

Rhodesian Tobacco Sales Reported Best Since 1965

Rhodesian tobacco merchants and manufacturers labeled 1973 the best selling season since Rhodesia's unilateral declaration of independence (UDI) in 1965, according to a recent Rhodesian newspaper article. Buyer competition was described as stronger than pre-UDI. Market prices reportedly surged because of inaccurate original estimates of volume and quality. Presumably quantity estimates were too high and quality estimates too low.

The 1974 sales are scheduled to start April 2. The article indicated that the trade is reluctant to forecast 1974 price levels, but they do expect them to be higher than in 1973 if quality is good and the sanction situation does not worsen. The Rhodesian Tobacco Association pointed out that leaf tobacco returns would have to be commensurate with those from cotton or expanding tobacco production would slow.

Prior to UDI, and the resultant United Nations trade sanctions, Rhodesia's leaf tobacco exports reached 261 million pounds. The leaf was of good quality and the Rhodesian exports were having an adverse effect on U.S. exports to several destinations.

DAIRY AND POULTRY

Dry Milk Quota Raised Temporarily

Action under Section 22, of the Agricultural Adjustment Act, as amended, to temporarily increase the 1974 import quota for nonfat dry milk by 150 million pounds was announced by the White House on March 4, effective the following day.

The authorization, which will remain in force through June 30, 1974, is allocated in millions of pounds as follows: New Zealand, 55; Australia, 15; and other countries, 80.

The breakdown is based on the general pattern of world trade in 1972; the country allocations to New Zealand and Australia recognize their disadvantages in shipping time resulting from their geographic locations.

The White House decision is an interim action on the Tariff Commission's recommendation that the quota be increased by 265 million pounds for calendar 1974. The President retains the option of taking final action at a later date.

SUGAR AND TROPICAL PRODUCTS

Sugar Prices Drop From February Peak

Record high sugar prices reached their peaks in late February. The world price was highest at 26.25 cents per pound (f.o.b. Caribbean ports) on February 21 and 22, while the U.S. price was 22.50 cents (New York, duty-paid) on February 25. Since those levels were reached, there has been a decline in both prices. On February 28, the world price was 20.50 cents and the U.S. price was 17.50 cents.

World sugar production is expected to be 1-2 million tons above consumption requirements for 1973-74, so the supply-demand relationship has not been as significant as some other factors in boosting prices. Some of these that influenced prices recently include:

- The escalation in petroleum prices, reportedly resulting in several sugar transactions linked with reciprocal deliveries of petroleum. For example, Japan recently purchased 210,000 tons of raw sugar from Brazil and in turn is arranging for deliveries of petroleum from Saudi Arabia to Brazil.

- An unusual number of tenders from Middle East countries.
- The monetary crisis—inflationary trends and the substantial increase in the price of gold, for instance.
- The known fact that two large importers—Japan and Canada—had not covered their entire requirements for the first half of 1974 as of the middle of February.

The decline in world prices since February 22 has been at least partly attributed to reports that India will make large sugar sales on the world market.

COTTON

India Issues First Cotton Area Report

India's first published estimate of cotton acreage for 1973-74, has been released by the Ministry of Agriculture.

According to this study, which reports on only about 80 percent of the area under cotton and covers the period through the end of July 1973, an area of 16.1 million acres had been planted. This compared with 15.8 million acres during the corresponding period a year ago.

The estimate reports that increases in area under cotton, compared with the previous year, were recorded largely in Maharashtra, Haryana, and Rajasthan States; decreases were recorded in the States of Punjab and Karnataka.

Rounding out the estimate, India's Directorate of Cotton Development places total cotton area this season at 19.3 million acres. This is up slightly from the 1972-73 total of 19 million acres.

FRUIT, NUTS, AND VEGETABLES

Taiwan Purchases Additional U.S. Apples

The Republic of China (Taiwan) purchased an additional 40,000 cases of Washington State apples during the week of February 10, bringing total purchases from the 1973 crop to 150,000 cases. The total is up from 35,000 cases bought from Pacific growers last year.

Taiwan historically has purchased apples largely from Japan but has actively sought U.S. supplies the last 2 years.

GENERAL

Petroleum Problems Cause Japan To Revise Economic Report

Problems connected with the petroleum shortage have caused the Japanese Government to take the unusual step of revising its economic outlook for the April 1974-March 1975 fiscal year (JFY). Economists are studying the situation further to determine what future effects the oil problem will have on the Japanese economy.

A report released in late December estimated Japanese gross national product (GNP) real growth for 1974-75 at 2.5

percent (down from an estimated 6 percent in JFY 1973), with wholesale and consumer price increases at 11.9 percent and 9.6 percent, respectively. The forecast assumed petroleum imports would decrease 3 percent from the current fiscal year.

However, the situation changed when, on December 23, the Organization of Petroleum Exporting Countries (OPEC) announced a price increase which was expected to double Japanese petroleum costs. Two days later, OPEC announced further that oil production cutbacks would cease and Japan (now classified as a "friendly nation") would be able to fill its oil needs, although at the higher price.

The Japanese Cabinet went into extraordinary session and on January 19 some revised figures were released. The real GNP growth forecast remained at 2.5 percent, and the jump in consumer prices stayed at 9.6 percent. One important change, however, was that wholesale prices were expected to rise 14.6 percent instead of 11.9 percent.

As it now stands, the real-growth rate is forecast considerably below the annual average of over 10 percent of past decades. A key component of the forecast, personal consumption expenditures, shows an expected nominal increase of 17 percent in JFY 1974 (7.4 percent real growth).

Ireland Sets Food Size and Labeling Requirements

Ireland's Department of Industry and Commerce recently issued regulations prescribing package sizes and labeling requirements, effective February 1, 1974, for many household products. Recognizing the pending adoption of the metric system, the regulations require that all quantities be shown in metric standards as well as in imperial.

Predetermined sizes for solids range from 62.5 grams to 4 kilograms in the metric system and from 2 ounces to 7 pounds in the imperial, while the liquid measures range from 62.5 milliliters to 5 liters (metric) and 1/8 pint to 8 pints (imperial). In many cases, commodities may now be sold only in the sizes specified by the regulations.

The order also sets the size of print used on labels and location of pertinent data concerning the contents.

The household items covered by the regulations range from such food items as butter, margarine, cooking fat, and various jellies, jams, and marmalades, tea, coffee, cocoa, macaroni, spaghetti, and noodles to nonfood household items such as detergents, turpentine, matches, clothespins, and razor blades.

Other Foreign Agriculture Publications

- U.S. Tobacco Exports Remain High in 1973 (FT-1-74)
- U.S. Seed Exports Valued at \$43.3 Million in July-December 1973, but Volume Was Down (FFVS-1-74)
- Larger World Cocoa Bean Crop Being Harvested (FCB-1-74)
- Prospects for 1974 West European Grain Crops: Area Expected to Increase, Especially for Wheat; Weather Thus Far Favors Good Harvests (FG-3-74)

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FOREIGN AGRICULTURE

U.S.-MEXICAN LIVESTOCK TRADE HIGH IN 1973

Continued from page 3

to enable cattle to stay in Mexico until heavier weights are reached. These pastures consist of annual rye grass and are primarily located in Baja California, although additional pastures are being established in Sonora, Sinaloa, and Tamaulipas. Eventually, the goal is to construct slaughter facilities in these areas and export beef carcasses.

Mexico's cattle industry is concentrated within three rather distinct regions. The semiarid northern region, which supplies most of the beef and all of the live animal exports; the central region, where the dairy industry is concentrated; and the southern tropical areas, including the gulf, which so far has produced beef solely for the domestic market.

From 1969 through 1973, the total cattle population increased just under 3 percent annually. Over the next 5 years, primarily because of the expansion of improved grazing land in the gulf and the southern tropical areas, cattle population is expected to increase about 3.5 percent annually.

Approximately 40 percent of Mexico's 26.8 million cattle now are located in the 12 northern States, 33 percent in

the central area, and 27 percent in the gulf and southern tropical areas. Over the next 5 years, cattle population is expected to remain relatively stable in the north, show a slight increase in the central area, while cattle numbers in the tropical areas are expected to increase at an estimated 10 percent per year.

English breeds and crosses of these breeds continue to dominate the cattle population of the north. However, some Brahman blood is being introduced to produce crossbred feeder calves adaptable to the tick areas of Mexico. Dairy breeds, mainly Holsteins, predominate in the central area, while Brahman-type cattle are the overwhelming choice in the tropical areas because of their tick resistance.

Projected increases in the cattle population over the next 5 years will about keep pace with Mexico's net population growth. On the other hand, the new Government policy of withholding some of the traditionally exported calves for eventual domestic slaughter, combined with a projected continuing small increase in average carcass weights, should enable Mexico to meet domestic

beef demand and maintain beef exports at current levels. But the long-term outlook is for a drop in live cattle exports.

EC Tobacco Quota

Continued from page 7

the EC's Joint Declaration of Intent, issued in connection with the signing of the Treaty of Accession, to foster improved trade relations with developing Asian Commonwealth countries not eligible for EC associate status. India is expected to provide most of the tobacco imported even though, at least in theory, all beneficiary countries that produce flue-cured tobacco are eligible to ship under the quota. (The quota limitations and percentage allocations among EC members are in line with the EC's 1971 imports from India.)

The EC's list of GSP beneficiary countries includes a number which produce and export varying quantities and qualities of flue-cured, for example, Brazil, South Korea, Mexico, Pakistan, Philippines, and Thailand. These countries (and others on the list) can be expected to attempt to ship tobacco at the preferential duties.